

KEEGAN, WERLIN & PABIAN, LLP

ATTORNEYS AT LAW
265 FRANKLIN STREET
BOSTON, MASSACHUSETTS 02110-3113

(617) 951-1400

TELECOPIERS:

(617) 951-1354

(617) 951-0586

DAVID S. ROSENZWEIG
E-mail: drosen@kwplaw.com

April 6, 2004

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

David L. O'Connor, Commissioner
Division of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

Re: NSTAR Electric, D.T.E. 04-11
2004 Energy Efficiency Plan

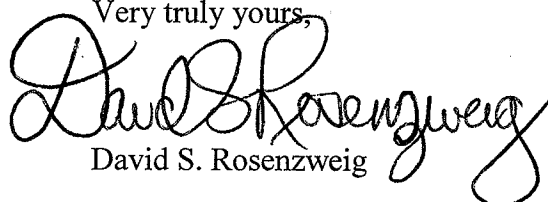
Dear Secretary Cottrell and Commissioner O'Connor:

On February 17, 2004 NSTAR Electric (the "Company") submitted its 2004 Energy Efficiency Plan ("EEP") to the Department of Telecommunications and Energy (the "Department") and the Division of Energy Resources (the "DOER") in the form of a Settlement Agreement between the Company and The Energy Consortium, Low-Income Energy Affordability Network, Associated Industries of Massachusetts and Massachusetts Climate Action Network (the "Settling Parties"). The Settling Parties' request for approval of the Settlement Agreement is currently pending before the Department.

With this letter, the Company is providing replacements pages for its EEP. Specifically, pages IV-86 through IV-89 are being submitted to clarify the Company's Demand Response Pilot program description. Please replace pages IV-86 through IV-89 submitted February 17, 2004, with pages IV-86 through IV-89 dated April 6, 2004 and attached hereto. The Company has informed the non-utility Settling Parties of the changes contained in this supplemental filing and the Company will apprise the Department of any comments received.

Thank you for your attention to this filing. Should you have any questions, please do not hesitate to contact me.

Very truly yours,



David S. Rosenzweig

Enclosures

cc: Ronald LeComte, Department of Telecommunications & Energy (3 copies)
Andrew Kaplan, Department of Telecommunications & Energy
Steven I. Venezia, Division of Energy Resources
Larry Masland, Division of Energy Resources
Edward G. Bohlen, Assistant Attorney General
Marc Breslow, Massachusetts Climate Action Network
Roger Borghesani, The Energy Consortium
Angela M. O'Connor, Associated Industries of Massachusetts, Inc.
Jerrold Oppenheim, Low-Income Energy Affordability Network

5. RESEARCH & DEVELOPMENT and PILOTS

a. Demand Response

Purpose, History and Multi-Year Plan

The purpose of the Demand Response Pilot Program (the “Pilot”) was to examine the feasibility of reducing customer electric load on the distribution system by providing customers with metering equipment and data collection, communication systems, data interpretation software, engineering assistance, and demand response incentives. The Pilot was designed and implemented in 2002 and continued offering services to the 2002 recruits through 2003, when it was discontinued. The evaluated results of the Pilot and a strategic planning task were completed in 2003.

Demand response (“DR”) emphasis has been re-focused to providing direct support of the ISO-NE Load Response Program on a traditional basis. In 2004, NSTAR Electric plans to expand existing technical assistance services to include DR recommendations and to provide a metering incentive. Both customer lack of knowledge and first cost of metering have been identified as impediments to the development of a robust ISO-NE Load Response Programs (“LRP”). This Pilot is only offered as a temporary means of moving the ISO-NE LRP to a self-sustaining state and is not intended to be precedent setting. Any future support of the ISO-NE LRP is subject to approval.⁹

NSTAR Electric also plans to provide enhanced energy efficiency program marketing and incentives for targeted customers on constrained circuits with the purpose of reducing load sufficiently to defer circuit upgrades.

⁹ Agreement to this limited pilot for research purpose in the year 2004 does not constitute an agreement by the Company or the NUPs (a) that any other meter incentive is an appropriate use of energy efficiency funds, (b) whether the proposed meter incentive is cost-effective, or (c) that any demand response measure or time-based metering is an appropriate use of residential or low-income energy efficiency funds.

The Pilot, as described above, will end November 1, 2004. Thereafter, NSTAR Electric will report to the NUPs and DOER on customer performance and provide an assessment of the ISO-NE LRP. The Company does not have any plans at this time to continue the Pilot beyond November 1, 2004.

Target Market and Marketing Approach

The 2004 Pilot will target the likely ISO-NE LRP participants, which have in the past included participants from a variety of sectors, including educational institutions, government facilities and hospitals as well as manufacturing and office buildings. Participants will be recruited primarily by NSTAR Electric Account Executives and through direct-telephone solicitation by a vendor. NSTAR Electric also plans to produce a one-page glossy brochure for leave-behinds, and as the core of a direct mailing to about 2,500 customers. This one-page glossy will be designed to increase customer awareness of LRP opportunities at their facilities.

Target End Uses, Recommended Technologies, and Financial Incentives

NSTAR proposes to expand the scope of the current technical assistance (“TA”) studies to include a “DR Participation Plan”, which will identify strategies specific to the site that the customer might employ as an LRP participant. The Company will provide TA consultants with a DR template and additional incentives for including DR in their studies. DR opportunities include switching of non-essential lighting, increasing of HVAC set points, enhancement of controls, some process equipment operation strategies and in operation of on-site generation.

Participation in the ISO-NE LRP program requires installation of a communications equipped interval meter that has the capability to upload interval data twenty-four hours after an event. The upfront cost of the metering is a

significant barrier to participation, especially for smaller facilities with fewer resources. The Pilot will initially fund the cost of the meter upgrades. However, one component of the Pilot will be a co-payment by the customer of \$500 for the meter, which will be paid out of the participation income the customer earns from responding to the LRP. The \$500 represents approximately 50% of the cost of the meter. If the customer does not participate in the program by the end of 2007, the customer will no longer be responsible for the co-payment amount.

In addition, NSTAR proposes to provide enhanced incentives for targeted customers on constrained circuits with the purpose of reducing load sufficiently to defer a circuit upgrade. This option would include some additional marketing, educational outreach and incentives through existing energy efficiency programs for the purpose of improving penetration and per site savings rates.

Delivery Mechanism

In-house staff will provide marketing, administration, and installation of metering equipment. Contractor support will be retained for on-site engineering TA services provided to the customer.

Evaluation Overview

No further evaluation activities are planned for 2004 since this effort is in support of the ISO-NE which conducts extensive, independent evaluation activities of the program.

6. GENERAL SUPPORT

a. NUP Collaborative

The Company has agreed to fund C&I energy efficiency experts to advise the NUPs who work in collaboration with the Company regarding energy efficiency efforts.

b. Sponsorship & Subscriptions

The Company continues to provide funding to organizations such as the ACEEE, CEE, Association of Energy Services Professionals, Northeast Sustainable Energy Association and the Northeast Energy Efficiency Partnerships that provide services consistent with the objectives of energy efficiency program objectives in Massachusetts.

c. Miscellaneous Market Research & Evaluation

The Company has included funding in its C&I energy efficiency program budget for miscellaneous market research or implementation research that may be identified during the year to support the Company's programs and services. This funding is intended to support potential projects that will arise or that have not been scoped out in sufficient detail to allow for development of a specific project budget.

d. Performance Incentive Tax Liability

The Company's proposed performance incentive allows for a "design level" incentive that is defined on an after-tax basis. In order to earn that incentive, the Company has also budgeted the tax liability associated with the proposed design level incentive.